



The Commercial Bank of Kuwait Group

Interim Condensed Consolidated Financial Information

**31 March 2021
(Unaudited)**

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF COMMERCIAL BANK OF KUWAIT K.P.S.C.

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Commercial Bank of Kuwait K.P.S.C. ("the Bank") and its subsidiary (together called "the Group") as of 31 March 2021 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity, and cash flows for the three-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the basis of presentation set out in Note 2. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

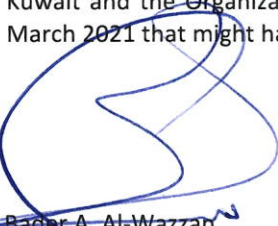
Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared in all material respects in accordance with the basis of presentation set out in Note 2.

Report on other Legal and Regulatory Requirements


Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Bank. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016 and its executive regulations, as amended, or of the Memorandum of Incorporation and Articles of Association of the Bank as amended, during the three-month period ended 31 March 2021 that might have had a material effect on the business of the Bank or on its financial position.

We further report that, during the course of our review and to the best of our knowledge and belief, we have not become aware of any violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the Organization of Banking Business, and its related regulations during the three-month period ended 31 March 2021 that might have had a material effect on the business of the Bank or on its financial position.



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Kuwait
18 May 2021



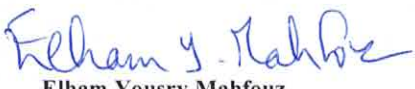
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**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

31 March 2021 (Unaudited)

		<i>(Audited)</i>	
	Note	31 March 2021 KD 000's	31 December 2020 KD 000's
			31 March 2020 KD 000's
ASSETS			
Cash and short term funds	4	672,380	721,408
Treasury and Central Bank bonds		187,552	186,522
Due from banks and other financial institutions	5	544,443	581,622
Loans and advances	6	2,268,818	2,279,057
Investment securities	7	544,451	568,919
Premises and equipment		29,330	29,177
Intangible assets		3,506	3,506
Other assets		10,143	18,546
TOTAL ASSETS		4,260,623	4,388,757
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks		345,260	215,925
Due to other financial institutions		301,129	452,499
Customer deposits		2,243,888	2,368,873
Other borrowed funds		469,518	443,652
Other liabilities		203,810	214,984
TOTAL LIABILITIES		3,563,605	3,695,933
EQUITY			
Equity attributable to shareholders of the Bank			
Share capital		199,206	199,206
Proposed bonus shares		27,107	27,107
Treasury shares		(32,340)	(32,340)
Reserves		357,845	353,710
Retained earnings		144,248	144,208
Non-controlling interests		952	933
TOTAL EQUITY		697,018	692,824
TOTAL LIABILITIES AND EQUITY		4,260,623	4,388,757


 Sheikh Ahmad Duaij Al Sabah
 Chairman


 Elham Yousry Mahfouz
 Chief Executive Officer

The attached notes 1 to 14 form an integral part of this interim condensed consolidated financial information.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME**

Period ended 31 March 2021 (Unaudited)

	Note	Three months ended 31 March	
		2021 KD 000's	2020 KD 000's
Interest income		25,506	38,087
Interest expense		(6,044)	(16,906)
NET INTEREST INCOME		19,462	21,181
Fees and commissions		9,163	9,687
Net gain from dealing in foreign currencies		1,408	1,422
Net gain (loss) from investment securities		521	(5)
Dividend income		289	762
Other operating income		208	148
OPERATING INCOME		31,051	33,195
Staff expenses		(5,878)	(6,602)
General and administrative expenses		(3,375)	(4,686)
Depreciation and amortisation		(116)	(58)
OPERATING EXPENSES		(9,369)	(11,346)
OPERATING PROFIT BEFORE PROVISIONS		21,682	21,849
Impairment and other provisions	8	(21,623)	(20,969)
PROFIT BEFORE TAXATION		59	880
Taxation		-	(16)
NET PROFIT FOR THE PERIOD		59	864
Attributable to:			
Shareholders of the Bank		40	853
Non-controlling interests		19	11
		59	864
Basic and diluted earnings per share attributable to shareholders of the Bank (fils)	9	0.0	0.4

The attached notes 1 to 14 form an integral part of this interim condensed consolidated financial information.


INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Period ended 31 March 2021 (Unaudited)

	Three months ended 31 March	
	2021 KD 000's	2020 KD 000's
Net profit for the period	59	864
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified subsequently to consolidated statement of income		
Equity securities classified as fair value through other comprehensive income:		
Net changes in fair value	3,382	(49,182)
Items that are or may be reclassified subsequently to consolidated statement of income		
Debt securities classified as fair value through other comprehensive income:		
Net changes in fair value	991	(12,813)
Net (loss) on disposal transferred to income statement	(238)	(2)
	4,135	(61,997)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	4,194	(61,133)
Attributable to:		
Shareholders of the Bank	4,175	(61,144)
Non-controlling interests	19	11
	4,194	(61,133)

The attached notes 1 to 14 form an integral part of this interim condensed consolidated financial information.



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period ended 31 March 2021 (Unaudited)

	KD 000's														
	Attributable to shareholders of the Bank														
	Share Capital	Proposed Bonus Shares	Treasury Shares	Reserves						Total Reserves	Retained Earnings	Proposed Dividend	Non-controlling Interests		Total
Share Premium				Statutory Reserve	General Reserve	Treasury Shares Reserve	Property Revaluation Reserve	Investment Valuation Reserve	Total				Interests	Total	
Balance at 1 January 2020	199,206	-	(21,690)	66,791	115,977	17,927	-	24,883	144,641	370,219	184,093	-	731,828	889	732,717
Total comprehensive income for the period	-	-	-	-	-	-	-	-	(61,997)	(61,997)	853	-	(61,144)	11	(61,133)
Treasury shares purchased	-	-	(10,284)	-	-	-	-	-	-	-	-	-	(10,284)	-	(10,284)
Balance at 31 March 2020	199,206	-	(31,974)	66,791	115,977	17,927	-	24,883	82,644	308,222	184,946	-	660,400	900	661,300
Balance at 1 January 2021	199,206	27,107	(32,340)	66,791	115,977	17,927	-	24,095	128,920	353,710	144,208	-	691,891	933	692,824
Total comprehensive income for the period	-	-	-	-	-	-	-	-	4,135	4,135	40	-	4,175	19	4,194
Balance at 31 March 2021	199,206	27,107	(32,340)	66,791	115,977	17,927	-	24,095	133,055	357,845	144,248	-	696,066	952	697,018

Annual General Assembly of the shareholders held on 31 March 2021 approved to distribute 3% bonus shares from the treasury shares held by the Bank for the year 2020 (2019: nil). The Bank completed the distribution of bonus shares on 20 April 2021.

Investment valuation reserve includes a loss of KD 5,432 thousand (31 December 2020: KD 5,450 thousand and 31 March 2020: KD 5,542 thousand) arising from foreign currency translation of the Bank's investment in a foreign associate.

The attached notes 1 to 14 form an integral part of this interim condensed consolidated financial information.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

Period ended 31 March 2021 (Unaudited)

	Note	Three months ended	
		31 March	
		2021	2020
		KD 000's	KD 000's
OPERATING ACTIVITIES			
Profit before taxation		59	880
Adjustments for:			
Impairment and other provisions	8	21,623	20,969
Income from investment securities		(810)	(757)
Foreign exchange loss (gain) on investment securities		429	(2,312)
Depreciation and amortisation		116	58
Profit before changes in operating assets and liabilities		21,417	18,838
Changes in operating assets and liabilities:			
Treasury and Central Bank bonds		(1,030)	21,618
Due from banks and other financial institutions		37,179	59,253
Loans and advances		(13,638)	(37,502)
Other assets		8,403	14,057
Due to banks		129,335	88,456
Due to other financial institutions		(151,370)	(160,574)
Customer deposits		(124,985)	(235,165)
Other liabilities		(7,827)	(3,784)
Net cash (used in) operating activities		(102,516)	(234,803)
INVESTING ACTIVITIES			
Proceeds from disposal of investment securities		44,448	14,466
Acquisition of investment securities		(17,470)	(85,760)
Dividend income from investment securities		289	762
Proceeds from disposal of premises and equipment		399	-
Acquisition of premises and equipment		(53)	(487)
Net cash from (used in) investing activities		27,613	(71,019)
FINANCING ACTIVITIES			
Other borrowed funds		25,866	71,149
Purchase of treasury shares		-	(10,284)
Net cash from financing activities		25,866	60,865
Net decrease in cash and short term funds		(49,037)	(244,957)
Cash and short term funds at 1 January		721,440	856,913
Cash and short term funds at 31 March	4	672,403	611,956

The attached notes 1 to 14 form an integral part of this interim condensed consolidated financial information.

**1 CORPORATE INFORMATION**

The Commercial Bank of Kuwait K.P.S.C ("the Bank") is a public shareholding company incorporated in the State of Kuwait and is registered as a Bank with the Central Bank of Kuwait ("CBK") and listed on the Boursa Kuwait. The address of the Bank's registered office is P.O. Box 2861, 13029 Safat, State of Kuwait.

The Bank and its subsidiary are together referred to as "the Group" in this interim condensed consolidated financial information.

The interim condensed consolidated financial information of the Group were authorised for issue in accordance with a resolution of the Board of Directors on 18 May 2021.

The principal activities of the Group are explained in note 12.

2 SIGNIFICANT ACCOUNTING POLICIES

The interim condensed consolidated financial information of the Group have been prepared in accordance with International Accounting Standard (IAS) 34: Interim Financial Reporting except as noted below. The accounting policies used in the preparation of these interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2020.

The interim condensed consolidated financial information has been prepared in accordance with the regulations for financial services institutions as issued by the CBK in the State of Kuwait. These regulations, including the recently issued CBK circulars on regulatory measures in response to COVID-19 and related CBK communications, require banks and other financial institutions regulated by CBK to adopt the International Financial Reporting Standards (IFRS) with the following amendments:

- i) Expected credit loss (ECL) to be measured at the higher of ECL on credit facilities computed under IFRS 9 in accordance to the CBK guidelines or the provisions as required by CBK instructions along with its consequent impact on related disclosures.
- ii) Recognition of modification losses on financial assets arising from payment holidays to customers in response to Covid-19 to be recognised in retained earnings instead of profit or loss as required by IFRS 9.

The above framework is hereinafter referred to as "IFRS as adopted by CBK for use by the State of Kuwait".

The interim condensed consolidated financial information does not contain all information and disclosures required for the annual consolidated financial statement prepared in accordance with IFRS, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2020. Further, results for interim periods are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

New standards, interpretations and amendments adopted by the Group**Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16**

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include the following practical expedients:

- i) A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a interest rate, equivalent to a movement in a market rates.
- ii) Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.


NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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These amendments had no impact on the interim condensed consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

Other new standards or amendments to existing standards which are effective for annual accounting period starting from 1 January 2021 did not have any material impact on financial position or performance of the Group.

3 SUBSIDIARY

Name of entity	Country of incorporation	Principal activities	% of ownership		
			31 March 2021	31 December 2020	31 March 2020
Al-Tijari Financial Brokerage Company K.S.C. (Closed)	Kuwait	Brokerage Services	93.55	93.55	93.55

4 CASH AND SHORT TERM FUNDS

	<i>(Audited)</i>		
	31 March 2021 KD 000's	31 December 2020 KD 000's	31 March 2020 KD 000's
Cash and cash items	138,267	166,614	202,620
Balances with the CBK	100,649	133,199	64,333
Deposits with banks maturing within seven days	433,487	421,627	345,003
	672,403	721,440	611,956
Less : Provision for impairment (ECL)	(23)	(32)	(37)
	672,380	721,408	611,919

5 DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	<i>(Audited)</i>		
	31 March 2021 KD 000's	31 December 2020 KD 000's	31 March 2020 KD 000's
Placements with banks	431,957	469,278	671,806
Less: Provision for impairment (ECL)	(42)	(34)	(149)
	431,915	469,244	671,657
Loans and advances to banks	113,349	113,200	150,908
Less: Provision for impairment	(821)	(822)	(1,509)
	112,528	112,378	149,399
	544,443	581,622	821,056

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

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6 LOANS AND ADVANCES

Provision for expected credit losses (ECL) on credit facilities are the higher of ECL under IFRS 9, determined in accordance with the CBK guidelines and the provision required by the CBK rules on classification of credit facilities.

Total available provision on credit facilities (cash and non cash) determined in accordance with the CBK rules on classification of credit facilities as at 31 March 2021 is KD 197,783 thousand (31 December 2020: KD 178,272 thousand and 31 March 2020: KD 169,240 thousand).

The ECL on credit facilities determined under IFRS 9 amounted to KD 103,107 thousand as at 31 March 2021 (31 December 2020: KD 104,706 thousand and 31 March 2020: KD 76,236 thousand).

The provision required under CBK rules on classification of credit facilities is higher than ECL under CBK guidelines for IFRS 9.

An analysis of the gross amounts of credit facilities, and the corresponding ECL based on the staging criteria under IFRS 9 in accordance with CBK guidelines is as follows;

	31 March 2021			
	KD 000's			
	Stage 1	Stage 2	Stage 3	Total
Credit facilities	2,053,097	373,363	-	2,426,460
Non cash credit facilities	2,317,257	196,320	34,486	2,548,063
ECL provision for credit facilities	20,372	49,079	33,656	103,107
	31 December 2020			
	KD 000's			
	Stage 1	Stage 2	Stage 3	Total
Credit facilities	2,032,898	381,871	-	2,414,769
Non cash credit facilities	2,351,076	209,517	38,033	2,598,626
ECL provision for credit facilities	21,425	47,406	35,875	104,706
	31 March 2020			
	KD 000's			
	Stage 1	Stage 2	Stage 3	Total
Credit facilities	2,342,561	76,434	9,079	2,428,074
Non cash credit facilities	2,387,700	98,758	28,310	2,514,768
ECL provision for credit facilities	22,023	17,622	36,591	76,236

**7 INVESTMENT SECURITIES**

- a) During 2008, the Bank acquired 221,425,095 shares of Boubyan Bank at a cost of KD 94,103 thousand under multiple purchase transactions, all of which were executed under the standard procedures adopted by Bursa Kuwait. However, at a subsequent date, and as a result of the availability of cash balances in the account of the parent company (“the Borrower”) related to the five subsidiaries which sold the mentioned shares in Bursa Kuwait (we refer to the five subsidiaries companies below as “Appellants”), the Bank utilized these balances to close the loan due from the Borrower. In 2009, the Borrower, along with the appellants, filed a legal case challenging the Bank’s ownership of the above mentioned shares where a final court judgment was issued in this dispute on 27 December 2017. A summary of major events is detailed hereunder:

In February 2009, the Court of Summary Appeal restricted the sale of 221,425,095 shares until a final court judgment is issued in the ownership dispute of these shares.

During 2010, the Bank participated in the rights issue and acquired 127,058,530 shares at a cost of KD 32,401 thousand and thereafter, during the years 2013 to the reporting date, the Bank received a total of 119,869,340 bonus shares.

In April 2016, the Court of First Instance issued a verdict in favor of the Bank confirming the validity of the Bank’s ownership of 221,425,095 shares.

In February 2017, the Court of Appeal issued a verdict, voiding the five sale contracts dated 30 November 2008 as concluded between the appellants and the Bank with regard to the sale of Boubyan Bank shares totalling 221,425,095 shares and revert the situation back to its pre-contract status, most importantly to revert back the shares, their yields, interests and any benefits the Bank has obtained, to the appellants along with voiding all acts the Bank has taken on the account of the Borrower following the sale date.

The Bank appealed against this verdict in the Court of Cassation. On 27 December 2017, the Court of Cassation issued a judgment partially accepting the appeal as the court obligated the appellants mentioned above to pay the price of shares to the Bank. The Court of Cassation also validated all the actions taken by the Bank on the account of the borrower following the date of the five sales contracts of the shares dated 30 November 2008. Furthermore, the Court of Cassation obligated the Borrower and the appellants to pay the required legal expenses on the litigation.

On 29 January 2018, the Bank has obtained the execution stamp for the execution of the judgment issued by the Court of Cassation against the appellants, whereby the Bank currently enjoys the power to collect the shares’ value and in return to transfer the shares’ ownership to the appellants. The Bank will continue to recognise these shares as part of Investment Securities until the judgment issued by the Court of Cassation is executed.

On 16 June 2019, a judgment was issued in favor of the Bank, which stipulates, firstly, to immediately stop execution of the earlier judgment by court of appeal as well as the amended judgment issued by the court of cassation and directed the appellants to refund the amount due to the Bank as consideration for returning the shares. Secondly, an expert delegate will determine the amount due from each of the five subsidiaries out of the principal amount to be refunded to the Bank, determine share of each subsidiary in the nullified shares and yields from the shares, subject of the nullified agreements, along with their interests and benefits, determine the fees and expenses paid in shares sale transactions and determine who is obligated to pay.

On 29 June 2020, the Court of Appeal dismissed the judgment issued by Court of First Instance on 16 June 2019 to suspend the execution immediately. The bank appealed against this ruling before Court of Cassation, and no hearing session has yet been

On 7 February 2021, the bank raised an objection on the report submitted by the expert department. During the session held on 4 April 2021 the court issued a ruling to refer the case back to the expert department to review the objection raised by the bank


NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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- b) During the three months period ended 31 March 2021, the Group designated certain debt securities as hedge items, to hedge the fair value changes arising from changes in market interest rates. Interest rate swap (IRS) is used as hedging instruments in which the Group pays fixed and receives floating interest rate.

Based on the matching of critical terms between the hedge items and the hedged instruments it was concluded that the hedges were

The carrying value of debt securities designated as hedged item as at 31 March 2021 was KD 217,644 thousand (31 December 2020: 251,140 thousand and 31 March 2020: KD 256,751 thousand). The change in fair value of these securities resulting from changes in market interest rate (hedged risk) during the period was KD 1,704 thousand (31 March 2020: KD 4,250 thousand). The changes in fair value related to hedged risk during the period was recognised in the consolidated statement of income.

8 IMPAIRMENT AND OTHER PROVISIONS

Impairment and other provisions recorded for the period ended 31 March 2021 amounted to KD 21,623 thousand (31 March 2020: KD 20,969 thousand) which mainly represent specific, general and other provisions against loans and advances and other financial assets which was partially offset by recoveries amounting to KD 2,417 thousand (31 March 2020: KD 2,835 thousand).

Impairment and other provisions includes reversal of ECL on financial assets other than loans and advances for the period ended 31 March 2021 amounting to KD 45 thousand (31 March 2020: charge of KD 675 thousand).

9 EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the net profit for the period attributable to shareholders of the Bank by the weighted average number of shares outstanding during the period.

	Three months ended 31 March	
	2021	2020
Net profit for the period attributable to shareholders of the Bank (KD 000's)	<u>40</u>	<u>853</u>
Weighted average of authorised and subscribed shares (numbers in 000's)	1,992,056	1,992,056
Less: Weighted average of treasury shares held (numbers in 000's)	(68,835)	(54,154)
	<u>1,923,221</u>	<u>1,937,902</u>
Basic and diluted earnings per share attributable to shareholders of the Bank (fils)	<u>0.0</u>	<u>0.4</u>

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

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10 RELATED PARTY TRANSACTIONS

During the period, certain related parties (directors and officers of the Group, their families and companies of which they are principal owners) were customers of the Group in the ordinary course of business. The terms of these transactions are approved by the Group's management. The balances at the date of interim condensed consolidated financial position are as follows:

	31 March 2021			31 March 2020		
	Number of Directors/ Executives	Number of Related Members	Amount in KD 000's	Number of Directors/ Executives	Number of Related Members	Amount in KD 000's
Board of Directors						
Loans	1	2	1,852	1	1	1,279
Credit cards	3	1	3	4	-	17
Deposits	9	17	1,004	8	15	1,339
Executive Management						
Loans	22	2	718	22	3	598
Credit cards	20	1	27	19	1	41
Deposits	28	34	751	31	22	732
Associates						
Deposits	1	-	13,134	1	-	13,813
Major Shareholders						
Deposits	1	-	39	1	-	12

Interest income and interest expense include KD 12 thousand (31 March 2020: KD 7 thousand) and KD 51 thousand (31 March 2020: KD 89 thousand) respectively on transactions with related parties.

The detail of compensation for key management personnel included in the interim condensed consolidated statement of income are as follows:

	Three months ended 31 March	
	2021 KD 000's	2020 KD 000's
Salaries and other short-term benefits	488	325
Post employment benefits	7	7
End of service benefits	63	22

11 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values of all financial instruments are not materially different from their carrying values. For financial assets and financial liabilities that are liquid or having a short-term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits, saving accounts without a specific maturity and variable rate financial instruments.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and


NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

Financial assets and liabilities that are carried at amortised cost, are not materially different from their fair values as most of these financial assets and liabilities are of short term maturities or repriced immediately based on market movement in interest rates.

The method and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	31 March 2021			
	KD 000's			
	Level 1	Level 2	Level 3	Total
Debt securities	281,701	24,570	-	306,271
Equities and other securities	216,476	21,704	-	238,180
	498,177	46,274	-	544,451
Derivative financial instruments (Note 13)	-	(2,254)	-	(2,254)
	-	(2,254)	-	(2,254)
	31 December 2020 (Audited)			
	KD 000's			
	Level 1	Level 2	Level 3	Total
Debt securities	318,203	14,449	-	332,652
Equities and other securities	208,477	27,790	-	236,267
	526,680	42,239	-	568,919
Derivative financial instruments (Note 13)	-	3,376	-	3,376
	-	3,376	-	3,376
	31 March 2020			
	KD 000's			
	Level 1	Level 2	Level 3	Total
Debt securities	333,996	20,444	-	354,440
Equities and other securities	195,802	25,086	-	220,888
	529,798	45,530	-	575,328
Derivative financial instruments (Note 13)	-	(6,023)	-	(6,023)
	-	(6,023)	-	(6,023)

There were no transfers between level 1, level 2 and level 3 hierarchy.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

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12 SEGMENTAL ANALYSIS

The Group operates in banking, brokerage services and investment activities which are segmented between:

- Corporate and Retail banking provides a full range of lending, deposit and related banking services to domestic and international corporate and individual customers.
- Treasury and Investment banking comprises of money market, foreign exchange, treasury bonds, asset management and brokerage services.

Management monitors the operating results of these segments separately for the purpose of making decisions based on key performance indicators.

	KD 000's					
	Corporate and Retail Banking		Treasury and Investment Banking		Total	
	Three months ended 31 March		Three months ended 31 March		Three months ended 31 March	
	2021	2020	2021	2020	2021	2020
Net interest income	16,205	18,384	3,257	2,797	19,462	21,181
Non interest income	9,098	9,704	2,491	2,310	11,589	12,014
Operating income	25,303	28,089	5,748	5,106	31,051	33,195
Impairment and other provisions	(21,635)	(20,344)	12	(625)	(21,623)	(20,969)
Net profit for the period	(975)	2,510	1,034	(1,646)	59	864
Assets	2,384,356	2,449,908	1,876,267	2,124,402	4,260,623	4,574,310
Liabilities & Equity	1,647,429	1,527,947	2,613,194	3,046,363	4,260,623	4,574,310

13 OFF BALANCE SHEET ITEMS**(a) Financial instruments with contractual amounts**

In the normal course of business the Group makes commitments to extend credit to customers. The contracted amounts represent the credit risk assuming that the amounts are fully advanced and that any collateral is of no value. The total contractual amount of the commitment does not necessarily represent the future cash requirement as in many cases these contracts terminate without being funded.

(i) Financial instruments with contractual amounts representing credit risk

	31 March 2021	<i>(Audited)</i> 31 December 2020	31 March 2020
	KD 000's	KD 000's	KD 000's
Acceptances	29,563	29,028	54,305
Letters of credit	108,582	153,927	130,148
Letters of guarantee	1,429,346	1,446,985	1,408,352
Undrawn lines of credit	947,065	933,112	895,691
	2,514,556	2,563,052	2,488,496

**14 SIGNIFICANT EVENT**

The rapid spread of COVID-19 pandemic causing disruption to business and economic activities has brought about uncertainties in the global economic environment. Starting from 15 March 2020 Kuwait government has implemented partial curfew and instructions have been issued to avoid the spread of the virus. The fiscal and monetary authorities, both domestic and international, have announced various support measures across the globe to counter possible adverse implications.

Further, the Group's operations are concentrated in economies that are relatively dependent on the price of crude oil. As at the end of the financial reporting period, oil prices have witnessed unprecedented volatility. The Group is closely monitoring the situation and has activated its business continuity planning and other risk management practices to manage the potential business disruption the COVID-19 outbreak may have on its operations and financial performance.

The Group has performed an assessment of COVID-19 in light of the available guidance of the CBK and IFRS which has resulted in the following changes to the expected credit loss methodology and valuation estimates and judgments as at and for the period ended 31 March 2021.

Expected Credit Loss (ECL) estimates

The inputs and assumptions used for the determination of ECL as at 31st March 2021 incorporates the revised economic forecasts with respect to oil prices and world GDP post Covid19. ECLs were estimated based on a range of forecast economic conditions as at that date by considering the impact of higher volatility in the forward-looking macro-economic factors, when determining the severity and likelihood of economic scenarios for ECL determination. This volatility has been reflected through adjustment in the methods of scenario construction and the underlying weightages assigned to these scenarios. In addition, the Group updated the relevant forward-looking information of the Group's international operations with respect to the weightings of the relevant macroeconomic scenarios relative to the economic climate of the respective market in which it operates.

Group has given specific consideration to the relevant impact of COVID-19 on the qualitative and quantitative factors when determining the significant increase in credit risk and assessing the indicators of impairment for the exposures in potentially affected sectors. This has resulted in maintaining the staging downgrades done during 2020 of certain exposures and recognition of relevant ECLs and impairment allowances.

Valuation estimates and judgments

The Group has also considered potential impacts of the current economic volatility in determination of the reported amounts of the Group's financial and non-financial assets and these are considered to represent management's best assessment based on available or observable information. Markets however remain volatile and the recorded amounts remain sensitive to market fluctuations.

Others factors

The Group is actively monitoring the impact on its financial conditions, liquidity, and workforce and will take necessary measures for business continuity in line with the instruction from the Government of Kuwait and CBK.